



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: OCTOBER 31, 2018

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF FOREIGN-TRADE ZONE SUBZONE OPERATING AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND CHEVRON U.S.A. INC. FTZ 202, SITE B

SUMMARY:

Staff requests approval of the Foreign-Trade Zone (FTZ) Operating Agreement between the City of Los Angeles Harbor Department (Harbor Department) and Chevron U.S.A. Inc. (Chevron) to continue operating its refinery and storages within FTZ 202, Site B. Site B consists of refining, storage facilities and office space located in the city of El Segundo, California. The Harbor Department, as the FTZ grantee, establishes Operating Agreements with FTZ operators to oversee their FTZ operations.

Currently, the Harbor Department and Chevron have an FTZ Operating Agreement No. 2599 which will expire on December 31, 2018. Chevron wishes to continue operating its refinery as an FTZ thus, the Harbor Department needs to execute a new Operating Agreement (Agreement) as required by the FTZ Board.

FTZ 202 Site B consists of a refinery and office space on 951 acres in El Segundo, California. Chevron will be operating its facilities under FTZ procedures. This proposed Agreement will not require funding by the Harbor Department. The proposed Agreement is for a term of five years with three, five-year renewal options commencing on January 1, 2019 to December 31, 2023. If the proposed Agreement is approved, the Harbor Department will receive \$10,000 annually from Chevron (per FTZ Tariff No. 2).

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Class 1 (14), of the Los Angeles City CEQA Guidelines;
2. Approve the proposed Foreign-Trade Zone Operating Agreement between the City of Los Angeles Harbor Department and Chevron U.S.A. Inc;

SUBJECT: FOREIGN-TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT WITH CHEVRON U.S. A. INC. FTZ 202, SITE B

3. Direct the Board Secretary to transmit the proposed Foreign-Trade Zone Operating Agreement to the Los Angeles City Council for approval pursuant to Section 373 of the Charter of the City of Los Angeles and Section 10.5 of the Los Angeles Administrative Code;
4. Authorize the Executive Director to execute and the Board Secretary to attest to the proposed Foreign-Trade Zone Operating Agreement; and
5. Adopt Resolution No. _____.

DISCUSSION:

Background and Context – The FTZ Act of 1934, as amended (19 U.S.C. 81a-81u), was established to support U.S. commerce and create jobs by reducing import duties or excise taxes by deferring payment of duties, thereby making it attractive for companies to perform some work on their products in the U.S. rather than offshore. The definition of an FTZ is a restricted access site located in the U.S. Customs and Border Protection territories. The importer may defer payment of duties and other fees until the merchandise is brought into the U.S. for consumption.

Need for Agreement – Chevron is a U.S. company with its head office located in San Ramon, California, employing approximately 1,251 full-time and part-time employees working within the FTZ activated area. Chevron has continually operated FTZ Site B since 1998. This facility consists of refining and storage facilities and office space on parcels totaling 951 acres and is within the FTZ 202 service area.

Chevron shall follow the rules and procedures as outlined in the Department of Homeland Security's FTZ manual, such as providing a secured area within the FTZ. The Harbor Department, as the grantee, is required by the FTZ Board to have an Operating Agreement with FTZ site operators. The term of this proposed FTZ Operating Agreement is five years with three, five year extensions (Transmittal 1).

Need for Approval – Chevron is requesting approval from the Harbor Department to execute the proposed Agreement to operate Site B (Transmittal 2) as a Subzone facility for a term of five years with three, five-year renewal options.

Chevron receives, refines, stores, and manages inventory, and distributes various refined products which will be distributed for U.S. consumption. Occasionally, products may be re-exported from this facility.

If a company does not obtain approval as an operator with FTZ status from the Harbor Department, they potentially have the choice of going to another FTZ grantee such as Long Beach, Palmdale, etc. Since multiple FTZ grantees exist in Los Angeles, a company can potentially shift its FTZ grantee to seek FTZ status under another grantee.

DATE: OCTOBER 31, 2018

PAGE 3 OF 4

SUBJECT: FOREIGN-TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT WITH CHEVRON U.S. A. INC. FTZ 202, SITE B

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a proposed FTZ Agreement with Chevron, to operate its site within the FTZ 202 service area (Transmittal 3) at Site B, located in El Segundo, California which is an activity involving the issuance of a permit to use an existing facility involving negligible or no expansion of use. Therefore, the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of the California Environmental Quality Act in accordance with Article III Class 1 (14) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

If the proposed Agreement is approved, the Harbor Department will receive \$10,000 annually from Chevron (per FTZ Tariff No. 2).

Approval of the FTZ Operating agreement is not anticipated to result in additional, incremental FTZ-related consulting service expenses being incurred by the Harbor Department. During Fiscal Year 2018, unaudited revenues of \$344,746 were collected from Harbor Department FTZ operators relative to FY 2018 unaudited expenses of \$36,575 incurred by the Harbor Department for consulting services.

DATE: OCTOBER 31, 2018

PAGE 4 OF 4

SUBJECT: FOREIGN-TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT WITH CHEVRON U.S. A. INC. FTZ 202, SITE B

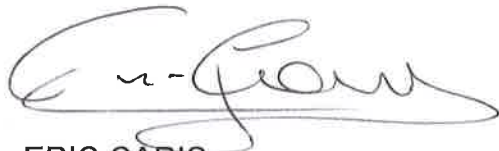
CITY ATTORNEY:

The Office of the City Attorney has prepared and approved the proposed Agreement as to form and legality.

TRANSMITTALS:

1. Proposed FTZ Operating Agreement for Chevron U.S.A. Inc. FTZ 202, Site B
2. FTZ 202, Site B Map
3. FTZ 202, Service Area Map

FIS Approval: MB
CA Approval: MB



ERIC CARIS
Director of Cargo Marketing



MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director